



**Tswaing Local Municipality  
Financial statements  
for the year ended 30 June 2017**

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## General Information

---

<b>Country of incorporation and domicile</b>	South Africa
<b>Mayoral committee</b>	
Executive Mayor	Hon Cllr L Malwane Hon Cllr UP Lobelo -Speaker Hon Cllr AN Noko - Chief Whip
<b>Councillors</b>	Cllr T Radebe Cllr SV Moremedi Cllr MM Moreo Cllr KE Blou Cllr ST Lerumo Cllr AT Modise Cllr B Phutiyagae Cllr NJ Molehabangwe Cllr TE Chabanku Cllr TS Tsholo Cllr ME Booi Cllr MS Letlakane Cllr AT Mabovu Cllr PM Mokoto Cllr TD Mthimkulu Cllr OJ Makalela Cllr T P Morei Cllr C Visser Cllr EM Thobegane Cllr TP Miga Cllr JK Magwejane Cllr LY Taljaard Cllr GE Kgasu Cllr KC Seduko Cllr GB Madebe Cllr JH Botha
<b>Grading of local authority</b>	Low capacity
<b>Chief Finance Officer (CFO)</b>	Mrs Stonea Pelele
<b>Directors</b>	Mr MI Moruti
<b>Registered office</b>	Cnr. General Delarey and Government Street Delareyville 2770
<b>Business address</b>	Cnr. General Delarey and Government Street Delareyville 2770
<b>Postal address</b>	P O Box 24 Delareyville 2770
<b>Bankers</b>	First National Bank

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Index

---

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	3
Accounting Officer's Report	4 - 5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10
Accounting Policies	12 - 29
Notes to the Financial Statements	30 - 55

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Accounting Officer's Responsibilities and Approval**

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

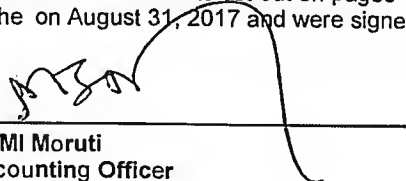
The accounting officer are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer have reviewed the entity's cash flow forecast for the year to June 30, 2018 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's financial statements. The financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The financial statements set out on pages 4 to 49, which have been prepared on the going concern basis, were approved by the on August 31, 2017 and were signed on its behalf by:



---

**Mr MI Moruti**  
Accounting Officer

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Officer's Report

---

The accounting officer submit his report for the year ended 30 June 2017.

### 1. Review of activities

#### Main business and operations

The municipality main business is the provision of services to the community in line with Part B of Schedule 4 and Part B of Schedule 5 of the Constitution.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the entity was R 49 218 863 (2016: deficit R 19 105 986).

### 2. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had a deficit of R 49 218 862 and that the municipality's total current liabilities exceed its current assets by R 119 690 582.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The accounting officer reported the following events;

The acting municipal manager's contract came to an end on the 1st of August 2017 and a new municipal manager was appointed.

The municipality received donations in form of infrastructure assets and movable assets subsequent to year end . The donated assets could not be measured reliably and no supporting documentation could be obtained to determine ownership of these assets.

### 4. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act N0. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

The financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mr Moate DH	South African	Appointed Thursday, December 1, 2016, resigned Monday, July 31, 2017
Mr MI Moruti	South African	Appointed Tuesday, August 1, 2017
Mr Mogale Morwe	South African	Appointed Friday, July 1, 2016, resigned Wednesday, November 30, 2016

### 6. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

## **Tswaing Local Municipality**

Financial Statements for the year ended 30 June 2017

### **Accounting Officer's Report**

---

#### **7. Auditors**

Auditor General South Africa will continue in office for the next financial period.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	8 436 091	10 098 078
Receivables from exchange transactions	4	95 912	-
Trade receivables from non-exchange transactions	5	12 705 172	9 242 026
Trade receivables from exchange transactions	6	31 557 300	26 161 893
Cash and cash equivalents	7	301 294	1 334 805
		<b>53 095 769</b>	<b>46 836 802</b>
<b>Non-Current Assets</b>			
Biological assets	8	1 791 000	1 197 600
Investment property	9	57 135 637	57 275 898
Property, plant and equipment	10	575 904 062	590 714 904
Heritage assets	11	953 000	-
Other financial assets	12	567 191	579 457
		<b>636 350 890</b>	<b>649 767 859</b>
<b>Total Assets</b>		<b>689 446 659</b>	<b>696 604 661</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	13	146 194 790	116 797 863
Value added tax payable	14	15 085 096	9 948 946
Consumer deposits	15	1 146 154	1 096 979
Unspent conditional grants and receipts	16	10 360 311	2 214 049
		<b>172 786 351</b>	<b>130 057 837</b>
<b>Non-Current Liabilities</b>			
Provisions	17	57 199 987	57 316 324
<b>Total Liabilities</b>		<b>229 986 338</b>	<b>187 374 161</b>
<b>Net Assets</b>		<b>459 460 321</b>	<b>509 230 500</b>
Accumulated surplus		<b>459 460 321</b>	<b>509 230 500</b>

\* See Note 49

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	75 993 227	50 422 670
Rental of facilities and equipment		484 932	322 792
Licences and permits		2 424 799	6 621 984
Commissions received		-	31 409
Unconditional grants		-	800 000
Other income		910 166	2 135 471
Interest received - investment	21	192 917	318 248
Dividends received	21	32 553	9 515
<b>Total revenue from exchange transactions</b>		<b>80 038 594</b>	<b>60 662 089</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	19 206 457	16 365 862
<b>Transfer revenue</b>			
Government grants & subsidies	23	101 083 017	112 650 689
<b>Total revenue from non-exchange transactions</b>		<b>120 289 474</b>	<b>129 016 551</b>
<b>Total revenue</b>	18	<b>200 328 068</b>	<b>189 678 640</b>
<b>Expenditure</b>			
Employee related costs	24	(66 738 181)	(68 760 093)
Remuneration of councillors	25	(9 265 246)	(8 574 340)
Depreciation and amortisation	26	(32 138 671)	(35 065 678)
Impairment loss/ Reversal of impairments	27	(8 394 229)	(291 427)
Finance costs	28	(16 330 208)	(8 320 318)
Lease rentals on operating lease		(675 661)	(271 604)
Debt Impairment	29	(37 651 434)	(19 498 786)
Repairs and maintenance		(3 638 443)	(3 209 895)
Bulk purchases	30	(32 541 521)	(24 858 005)
Contracted services	31	(4 774 941)	(1 964 420)
General Expenses	32	(40 583 887)	(34 701 152)
<b>Total expenditure</b>		<b>(252 732 422)</b>	<b>(205 515 718)</b>
<b>Operating deficit</b>	35	<b>(52 404 354)</b>	<b>(15 837 078)</b>
Loss on disposal of assets and liabilities		(4 358 642)	(167 440)
Fair value adjustments	33	-	(982 468)
Actuarial gains/losses		6 963 000	(2 119 000)
Gain on biological assets and agricultural produce	47	581 134	-
		<b>3 185 492</b>	<b>(3 268 908)</b>
<b>Deficit for the year</b>		<b>(49 218 862)</b>	<b>(19 105 986)</b>

\* See Note 49



# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	405 208 975	405 208 975
Adjustments		
Prior year adjustments	123 127 511	123 127 511
<b>Balance at 01 July 2015 as restated*</b>	<b>528 336 486</b>	<b>528 336 486</b>
Changes in net assets		
Deficit for the year	(19 105 986)	(19 105 986)
Total changes	(19 105 986)	(19 105 986)
<b>Restated* Balance at 01 July 2016</b>	<b>508 679 184</b>	<b>508 679 184</b>
Changes in net assets		
Deficit for the year	(49 218 863)	(49 218 863)
Total changes	(49 218 863)	(49 218 863)
<b>Balance at 30 June 2017</b>	<b>459 460 321</b>	<b>459 460 321</b>
Note(s)		

\* See Note 49

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service charges		75 993 227	50 422 670
Grants and subsidies		101 083 017	112 650 689
Interest income		192 917	318 248
Dividends		32 553	9 515
Licence and permits		2 424 799	6 621 984
Other income		910 166	2 135 471
Property rates		19 206 457	16 365 862
Rental		484 932	322 792
Miscellaneous income		-	831 409
		<u>200 328 068</u>	<u>189 678 640</u>
<b>Payments</b>			
Employee costs		(76 003 427)	(77 334 433)
Repairs and maintenance		(3 638 443)	(3 209 895)
Finance costs		(13 555 989)	(8 320 318)
General expenditure		(43 358 392)	(34 701 152)
Bulk purchases		(32 541 521)	(24 858 005)
Operating lease		(675 661)	(271 604)
Contracted services		(4 774 941)	(1 964 420)
		<u>(174 548 374)</u>	<u>(150 659 827)</u>
<b>Net cash flows from operating activities</b>	36	<u><b>25 877 569</b></u>	<u><b>39 018 813</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(25 958 080)	(122 029 676)
Proceeds from sale of property, plant and equipment	10	-	85 833 017
Purchases of heritage assets	11	(953 000)	-
Actuarial loss of Retirement benefits obligation		-	(2 119 000)
<b>Net cash flows from investing activities</b>		<u><b>(26 911 080)</b></u>	<u><b>(38 315 659)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1 033 511)</b>	<b>703 154</b>
Cash and cash equivalents at the beginning of the year		1 334 805	631 651
<b>Cash and cash equivalents at the end of the year</b>	7	<u><b>301 294</b></u>	<u><b>1 334 805</b></u>

\* See Note 49

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	59 142 000	550 000	59 692 000	75 993 227	16 301 227	N1
Rental of facilities and equipment	507 000	-	507 000	484 932	(22 068)	
Licences and permits	1 408 000	-	1 408 000	2 424 799	1 016 799	N2
Other income and fines	2 030 000	355 000	2 385 000	910 166	(1 474 834)	N3
Interest received - investment	30 000	70 000	100 000	192 917	92 917	
Dividends received	-	18 000	18 000	32 553	14 553	
<b>Total revenue from exchange transactions</b>	<b>63 117 000</b>	<b>993 000</b>	<b>64 110 000</b>	<b>80 038 594</b>	<b>15 928 594</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	14 050 000	-	14 050 000	19 206 457	5 156 457	N4
<b>Transfer revenue</b>						
Government grants & subsidies	89 027 000	385 000	89 412 000	101 083 017	11 671 017	N5
<b>Total revenue from non-exchange transactions</b>	<b>103 077 000</b>	<b>385 000</b>	<b>103 462 000</b>	<b>120 289 474</b>	<b>16 827 474</b>	
<b>Total revenue</b>	<b>166 194 000</b>	<b>1 378 000</b>	<b>167 572 000</b>	<b>200 328 068</b>	<b>32 756 068</b>	
<b>Expenditure</b>						
Employee related costs	(72 021 000)	236 000	(71 785 000)	(66 738 181)	5 046 819	N6
Remuneration of councillors	(9 457 000)	-	(9 457 000)	(9 265 246)	191 754	
Depreciation and asset impairment	(11 859 000)	-	(11 859 000)	(40 532 900)	(28 673 900)	N7
Finance costs	-	-	-	(16 330 208)	(16 330 208)	N9
Lease rentals on operating lease	-	-	-	(675 661)	(675 661)	
Debt impairment	(5 095 000)	-	(5 095 000)	(37 651 434)	(32 556 434)	N10
Repairs and maintenance	(7 647 000)	280 000	(7 367 000)	(3 638 443)	3 728 557	N16
Bulk purchases	(34 298 000)	100 000	(34 198 000)	(32 541 521)	1 656 479	N11
Contracted Services	(4 760 000)	-	(4 760 000)	(4 774 941)	(14 941)	
General Expenses	(21 903 000)	(2 438 000)	(24 341 000)	(40 583 886)	(16 242 886)	N12
<b>Total expenditure</b>	<b>(167 040 000)</b>	<b>(1 822 000)</b>	<b>(168 862 000)</b>	<b>(252 732 421)</b>	<b>(83 870 421)</b>	
<b>Operating deficit</b>	<b>(846 000)</b>	<b>(444 000)</b>	<b>(1 290 000)</b>	<b>(52 404 353)</b>	<b>(51 114 353)</b>	
Loss on disposal of assets and liabilities	-	-	-	(4 358 642)	(4 358 642)	
Actuarial gains/losses	-	-	-	6 963 000	6 963 000	N13
Gain on biological assets and agricultural produce	-	-	-	581 134	581 134	
Transfers recognised capital	30 739 000	-	30 739 000	-	(30 739 000)	
	<b>30 739 000</b>	<b>-</b>	<b>30 739 000</b>	<b>3 185 492</b>	<b>(27 553 508)</b>	
<b>Deficit before taxation</b>	<b>29 893 000</b>	<b>(444 000)</b>	<b>29 449 000</b>	<b>(49 218 861)</b>	<b>(78 667 861)</b>	

## Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>29 893 000</b>	<b>(444 000)</b>	<b>29 449 000</b>	<b>(49 218 861)</b>	<b>(78 667 861)</b>	

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the entity.

#### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

#### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.4 Investment property (continued)

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.5 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Machinery and Equipment	Straight line	5 - 10 years
Furniture and fixtures	Straight line	5 - 12 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 - 10 years
Other Assets	Straight line	5 - 10 years
Computer software	Straight line	3 - 7 years
Infrastructure community	Straight line	5 - 100 years
Infrastructure	Straight line	5 - 100 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.5 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.6 Heritage assets

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an entity is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.



# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.7 Financial instruments (continued)

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.7 Financial instruments (continued)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.8 Leases (continued)

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.10 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

### 1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

# **Tswaing Local Municipality**

Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

---

### **1.12 Employee benefits (continued)**

#### **Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### **Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.12 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.12 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.12 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficit.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.



# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

# **Tswaing Local Municipality**

Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

---

### **1.13 Provisions and contingencies (continued)**

#### **Levies**

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The entity recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

### **1.14 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### **1.15 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# **Tswaing Local Municipality**

Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

---

### **1.15 Revenue from exchange transactions (continued)**

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### **Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### **1.16 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

# **Tswaing Local Municipality**

Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

---

### **1.16 Revenue from non-exchange transactions (continued)**

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Transfers**

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

# **Tswaing Local Municipality**

Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

---

### **1.16 Revenue from non-exchange transactions (continued)**

#### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### **1.17 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.18 Borrowing costs**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.19 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.20 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.21 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.22 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.22 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.23 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016-07-01 to 2017-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.24 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality and are mandatory for the municipality's accounting periods beginning on or after the 1st of July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 110: Living and non-living resources	No effective date has been determined by the Minister of Finance	The impact of the amendment is not material.
• GRAP IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	No effective date has been determined by the Minister of Finance	The impact of the amendment is not material.
• GRAP 12: Inventories (as amended 2016)	April 1, 2018	The impact of the amendment is not material.
• GRAP 16: Investment property (as amended 2016)	April 1, 2018	The impact of the amendment is not material.
• GRAP 17: Property, plant and equipment (as amended 2016)	April 1, 2018	The impact of the amendment is not material.
• GRAP 21: Impairment of non-cash-generation assets	April 1, 2018	The impact of the amendment is not material.

#### 2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
---------------------------	------------------------------------------------	------------------

### 3. Inventories

Land inventory	7 528 971	9 125 210
Stores, materials and fuels	907 120	972 868
	<b>8 436 091</b>	<b>10 098 078</b>

#### Inventory pledged as security

No inventory was pledged as security.

### 4. Receivables from exchange transactions

Other receivables	95 912	-
-------------------	--------	---

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>5. Trade receivables from non-exchange transactions</b>		
Consumer debtors - Rates	2 581 590	2 105 529
Vat on Debtors	10 123 582	7 136 497
	<b>12 705 172</b>	<b>9 242 026</b>
<b>6. Trade and other receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	48 341 863	33 485 167
Water	43 473 655	37 456 874
Other	20 762 979	16 998 318
Sewerage	50 935 939	44 960 484
Refuse	64 957 394	56 804 857
	<b>228 471 830</b>	<b>189 705 700</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors impairment	(196 914 530)	(163 543 807)
<b>Net balance</b>		
Electricity	48 341 863	33 485 167
Water	43 473 655	37 456 874
Other	20 762 979	16 998 318
Sewerage	50 935 939	44 960 484
Refuse	64 957 394	56 804 857
Consumer debtors allowance for impairment	(196 914 530)	(163 543 807)
	<b>31 557 300</b>	<b>26 161 893</b>
<b>Electricity</b>		
Current (0 -30 days)	1 543 865	1 004 555
31 - 60 days	1 117 529	669 703
61 - 90 days	987 948	669 703
91 - 120 days	805 865	669 703
>121 days	43 886 656	30 471 503
	<b>48 341 863</b>	<b>33 485 167</b>
<b>Water</b>		
Current (0 -30 days)	1 152 296	749 137
31 - 60 days	405 012	374 568
61 - 90 days	384 380	374 568
91 - 120 days	362 404	374 568
>121 days	41 169 563	35 584 033
	<b>43 473 655</b>	<b>37 456 874</b>
<b>Other</b>		
Current (0 -30 days)	50 700	-
31 - 60 days	37 360	-
61 - 90 days	37 672	-
91 - 120 days	28 766	169 983
>121 days	20 608 481	16 828 335
	<b>20 762 979</b>	<b>16 998 318</b>



# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>6. Trade and other receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	858 599	449 604
31 - 60 days	833 181	449 604
61 - 90 days	818 492	899 209
91 - 120 days	809 260	899 209
>121 days	47 616 407	42 262 858
	<b>50 935 939</b>	<b>44 960 484</b>
<b>Refuse</b>		
Current (0 -30 days)	882 036	568 048
31 - 60 days	834 793	568 048
61 - 90 days	815 843	568 048
91 - 120 days	743 202	568 048
>121 days	61 681 520	54 532 665
	<b>64 957 394</b>	<b>56 804 857</b>
<b>Other (specify)</b>		
Current (0 -30 days)	(186 126 250)	(163 543 807)
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(166 915 207)	(377 245 212)
Contributions to allowance	(26 616 920)	163 543 807
Allowance relating to non exchange receivables	(3 382 403)	50 157 598
	<b>(196 914 530)</b>	<b>(163 543 807)</b>

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	455	455
Bank balances	300 839	1 334 350
	<b>301 294</b>	<b>1 334 805</b>

Cash and cash equivalents pledged as collateral

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
First National Bank - Current Account (52050012816)	221 313	770 571	576 298	221 313	770 571	576 298
Traffic Fines Account (62526417086)	79 445	494 874	36 612	79 445	494 874	36 612
Money Market Account (62263163752)	81	68 906	23 138	-	68 906	23 138
<b>Total</b>	<b>300 839</b>	<b>1 334 351</b>	<b>636 048</b>	<b>300 758</b>	<b>1 334 351</b>	<b>636 048</b>

### 8. Biological assets

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	1 791 000	-	1 791 000	1 197 600	-	1 197 600

#### Reconciliation of biological assets - 2017

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets	1 197 600	593 400	1 791 000

#### Reconciliation of biological assets - 2016

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Total
Biological assets	1 365 100	(322 000)	154 500	1 197 600

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 9. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	58 945 000	(1 809 363)	57 135 637	58 945 000	(1 669 102)	57 275 898

#### Reconciliation of investment property - 2017

	Opening balance	Other changes, movements	Total
Investment property	57 275 898	(140 260)	57 135 638

#### Reconciliation of investment property - 2016

	Opening balance	Other changes, movements	Depreciation	Total
Investment property	32 072 780	25 343 378	(140 260)	57 275 898

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

#### Deemed cost

Investment property consist of land and is carried at cost. No depreciation is calculated as land is deemed to have an indefinite useful life.

### 10. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	197 687 253	(49 013 392)	148 673 861	197 982 488	(45 340 666)	152 641 822
Machinery and Equipment	87 980	(49 623)	38 357	55 296	(44 240)	11 056
Furniture and fixtures	1 225 895	(1 139 190)	86 705	1 225 895	(1 014 986)	210 909
Motor vehicles	2 873 971	(2 374 639)	499 332	2 519 521	(2 231 785)	287 736
Office equipment	42 775	(32 503)	10 272	42 775	(29 034)	13 741
Computer equipment	622 330	(433 272)	189 058	533 830	(276 259)	257 571
Infrastructure assets	602 669 366	(299 485 166)	303 184 200	583 553 050	(275 772 283)	307 780 767
Infrastructure community assets	210 103 231	(126 379 567)	83 723 664	202 131 145	(118 187 797)	83 943 348
Other assets	683 296	(180 638)	502 658	180 775	(125 523)	55 252
Work in progress	38 995 955	-	38 995 955	45 512 702	-	45 512 702
<b>Total</b>	<b>1 054 992 052</b>	<b>(479 087 990)</b>	<b>575 904 062</b>	<b>1 033 737 477</b>	<b>(443 022 573)</b>	<b>590 714 904</b>

**Tswaing Local Municipality**  
Financial Statements for the year ended 30 June 2017

**Notes to the Financial Statements**

Figures in Rand

**10. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2017**

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land and buildings	152 641 822	-	-	(295 235)	(3 672 726)	-	148 673 861
Machinery and equipment	11 055	32 684	-	-	(6 240)	-	38 357
Furniture and fixtures	210 909	-	-	-	(120 192)	(4 011)	86 706
Motor vehicles	287 736	354 450	-	-	(111 777)	(31 077)	499 332
Office equipment	13 741	-	-	-	(2 943)	(526)	10 272
Computer equipment	257 571	88 500	-	-	(69 754)	(87 259)	189 058
Infrastructure assets	307 780 767	26 047 115	-	(2 641 664)	(19 737 102)	(8 264 916)	303 184 200
Infrastructure community assets	83 943 349	7 972 085	-	38 460	(8 230 230)	-	83 723 664
Other assets	55 253	502 519	-	-	(48 675)	(6 439)	502 658
Work in progress	45 512 702	27 502 453	(34 019 200)	-	-	-	38 995 955
	<b>590 714 905</b>	<b>62 499 806</b>	<b>(34 019 200)</b>	<b>(2 898 439)</b>	<b>(31 999 639)</b>	<b>(8 394 228)</b>	<b>575 904 063</b>

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land and buildings	79 486 198	76 845 594	-	-	32 190	(3 722 160)	-	152 641 822
Machinery and equipment	94 944	-	(47 608)	-	-	(36 281)	-	11 055
Furniture and fixtures	422 258	-	(6 370)	-	-	(174 180)	(30 799)	210 909
Motor vehicles	741 576	-	-	-	-	(218 042)	(235 798)	287 736
Office equipment	24 118	-	(504)	-	-	(4 500)	(5 373)	13 741
Computer equipment	328 092	19 488	(3 722)	-	-	(73 421)	(12 866)	257 571
Infrastructure assets	300 928 083	19 040 936	-	-	6 389 386	(18 577 638)	-	307 780 767
Infrastructure community assets	91 440 727	2 217 141	-	-	(1 429 259)	(8 285 260)	-	83 943 349
Other assets	91 583	-	(2 736)	-	-	(27 000)	(6 594)	55 253
Work in progress	40 647 120	23 906 517	-	(19 040 935)	-	-	-	45 512 702
	<b>514 204 699</b>	<b>122 029 676</b>	<b>(60 940)</b>	<b>(19 040 935)</b>	<b>4 992 317</b>	<b>(31 118 482)</b>	<b>(291 430)</b>	<b>590 714 905</b>

#### Other information

##### Transfers

Transfers to and from property plant and equipment relates to projects that were recognised as Work In Progress that have reached completion and now form additions of infrastructure assets , community assets and land and buildings.

The Work In Progress is thus transferred from the Work In Progress account and the Infrastructure assets, Community assets and Land and buildings.

##### Other changes , movements

These relate to the derecognition of road reserves and the correction of Remaining Useful Life error of assets that would have been fully depreciated but on review of useful lives found to be still operational and in working condition. The assets depreciation periods was accordingly fixed to resemble the reassessment of useful lives as performed.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	953 000	-	953 000	-	-	-

### Reconciliation of heritage assets 2017

	Opening balance	Additions	Total
Historical monuments	-	953 000	953 000

### 12. Other financial assets

#### Designated at fair value

Listed shares	567 191	579 457
---------------	---------	---------

#### Non-current assets

Designated at fair value	567 191	579 457
--------------------------	---------	---------

### 13. Payables from exchange transactions

Trade payables	115 258 993	86 381 570
Payments received in advanced	13 658 752	13 423 066
Retentions	8 802 809	7 287 982
Other payables	800 853	1 807 746
Accrued leave pay	6 005 927	6 304 933
Accrued bonus	1 665 218	1 590 668
Petrol card	2 238	1 898
	<b>146 194 790</b>	<b>116 797 863</b>

### 14. VAT payable

Valued Added Tax Payable	15 085 096	9 948 946
--------------------------	------------	-----------

### 15. Consumer deposits

Rates	1 146 154	1 096 979
-------	-----------	-----------

### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	8 283 526	82 833
Financial Management Grant (FMG)	614 989	-
Library grant	1 461 797	1 360 000
MSIG	-	709 631
LG Seta	-	61 585
	<b>10 360 312</b>	<b>2 214 049</b>

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 16. Unspent conditional grants and receipts (continued)

#### Movement during the year

Balance at the beginning of the year	2 214 049	2 214 049
Additions during the year	34 213 042	-
Income recognition during the year	(26 066 780)	-
	<b>10 360 311</b>	<b>2 214 049</b>

### 17. Provisions

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	15 888 324	463 663	-	16 351 987
Employee long service benefit cost	4 904 000	-	(17 000)	4 887 000
Post employment medical aid liability	36 524 000	-	(563 000)	35 961 000
	<b>57 316 324</b>	<b>463 663</b>	<b>(580 000)</b>	<b>57 199 987</b>

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	13 684 607	2 203 717	15 888 324
Employee long service benefit cost	4 685 000	219 000	4 904 000
Post employment medical aid liability	29 439 000	7 085 000	36 524 000
	<b>47 808 607</b>	<b>9 507 717</b>	<b>57 316 324</b>

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 17. Provisions (continued)

#### Environmental rehabilitation provision

The municipality has a present obligation to ensure rehabilitation of the land fill sites used after the economic life of the land fill site has been fully utilised.

Financial assumptions used:

Adjustment of unit costs:

The baseline for the unit costs are adjusted annually. For the various cost elements relating to pre-closure planning as well as post-closure monitoring and maintenance, the Consumer Price Index1 (CPI) was used to adjust the unit cost for each cost element. The unit cost of the various costs elements relating to rehabilitation and closure were adjusted using the Civil Engineering (Earthworks) Index2.

CPI

The CPI was used for the annual adjustment of unit costs as well as for determining the future value of current costs in the year

when the cost is projected to be incurred. The CPI was obtained from Statistics South Africa. The average of the CPI June 2016 and June 2017 is +5.3%

Discount rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. Where the liability in this case is determined for a government entity (municipality), government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

Uncertainties regarding the calculation and estimation of the provision:

A number of variables impact on the eventual rehabilitation and closure costs by either increasing or decreasing the basic unit cost.

Variables that are (normally) out of the control of the municipality:

- Length of perimeter of the landfill.
- Location of landfill in water-deficit or water-surplus area.
- Availability of suitable capping material on-site or in the vicinity.
- Availability of top-soiling and vegetating material on-site.
- Requirement for a gas control system

Variables that relate to availability of information:

- Availability and quality of technical reports, including End-Use Plan and Closure Design.
- Occurrence of environmental impacts of landfill (confirmed by monitoring).
- Occurrence of gas/air quality problems experienced (confirmed by monitoring).
- Occurrence of significant leachate problems (confirmed by monitoring).

Variables that relate to management practices:



# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 17. Provisions (continued)

- Whether the landfill is permitted/licensed or not.
- Existence and functioning of monitoring committee for landfill, including stakeholders.
- Quality of on-going operation of landfill in respect of compacting and trimming of areas already used.
- Whether available top-soiling material is actively managed to retain its quality characteristics for closure purposes.
- Existence and condition of fence.
- The remaining lifespan of the landfill.

#### Long service provision

In addition to normal leave an employee shall qualify for the following additional leave as recognition for service at the same employer, which shall be paid out respectively once only the date on which the various periods of continues service have been completed, as follows.

After 10 years service - 10 working days  
After 15 years service - 20 working days  
After 20 years service - 30 working days  
After 25 years service - 30 working days  
After 30 years service - 30 working days  
After 35 years service - 30 working days  
After 40 years service - 30 working days  
After 45 years service - 30 working days.

An employee may choose to either utilise the leave for holiday purposes or en-cash leave within 12 months.

The two most important financial variables used in our valuation are the discount rate and salary inflation. An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events.

#### Discount rate

IAS19 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet\* date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet\* date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations. "reimbursement.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 17. Provisions (continued)

#### Post Employment Medical Provision

The Municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2017.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The Post Employment Health Care Benefit Plan is a defined benefit plan.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	9,54%	10,26%
Consumer Price Inflation (C)	7,07%	7,18%
Health Care Cost Inflation	8,57%	8,68%
Net Effective Discount Rate	0,89%	1,45%
Proportion assumed married at retirement	90%	90%
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90.

### 18. Revenue

Service charges	75 993 227	50 422 670
Rental of facilities and equipment	484 932	322 792
Licences and permits	2 424 799	6 621 984
Commissions received	-	31 409
Unconditional grants	-	800 000
Other income	910 166	2 135 471
Interest received - investment	192 917	318 248
Dividends received	32 553	9 515
Property rates	19 206 457	16 365 862
Government grants & subsidies	101 083 017	112 650 689
	<b>200 328 068</b>	<b>189 678 640</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	75 993 227	50 422 670
Rental of facilities and equipment	484 932	322 792
Licences and permits	2 424 799	6 621 984
Commissions received	-	31 409
Unconditional grants	-	800 000
Other income	910 166	2 135 471
Interest received - investment	192 917	318 248
Dividends received	32 553	9 515
	<b>80 038 594</b>	<b>60 662 089</b>

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>18. Revenue (continued)</b>		
The amount included in revenue arising from non-exchange transactions is as follows:		
<b>Taxation revenue</b>		
Property rates	19 206 457	16 365 862
<b>Transfer revenue</b>		
Government grants & subsidies	101 083 017	112 650 689
	<b>120 289 474</b>	<b>129 016 551</b>
<b>19. Service charges</b>		
Sale of electricity	45 839 438	30 564 267
Sale of water	6 213 848	3 464 108
Sewerage and sanitation charges	11 092 375	7 909 878
Refuse removal	12 621 176	8 270 626
Other service charges	226 389	213 790
	<b>75 993 226</b>	<b>50 422 669</b>
<b>20. Other revenue</b>		
Commissions received	-	31 409
Unconditional grants	-	800 000
Other income	910 166	2 135 471
	<b>910 166</b>	<b>2 966 880</b>
<b>21. Investment revenue</b>		
<b>Dividend revenue</b>		
Other financial asset	32 553	9 515
<b>Interest revenue</b>		
Bank	192 917	318 248
	<b>225 470</b>	<b>327 763</b>
<b>22. Property rates</b>		
<b>Rates received</b>		
Property rates	19 206 457	16 365 862

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	75 726 049	82 956 000
Financial management grant	1 395 011	1 875 000
Ngaka Modiri Molema District Municipality	-	57 215
EPWP	1 248 280	1 067 000
MSIG	-	637 384
Library grant	1 558 203	-
	<b>79 927 543</b>	<b>86 592 599</b>
<b>Capital grants</b>		
Municipal infrastructure grant (MIG)	19 655 475	26 058 090
Integrated National Electrification Program (INEP)	1 500 000	-
	<b>21 155 475</b>	<b>26 058 090</b>
	<b>101 083 018</b>	<b>112 650 689</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Municipal infrastructure grant</b>		
Balance unspent at beginning of year	82 833	2 930 923
Current-year receipts	27 939 000	23 210 000
Conditions met - transferred to revenue	(19 655 474)	(26 058 090)
Conditions met - transferred to equitable share	(82 833)	-
	<b>8 283 526</b>	<b>82 833</b>
Conditions still to be met - remain liabilities (see note 16).		
The Grant (Municipal Infrastructure Grant-MIG) is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.		
<b>Financial management grant</b>		
Balance unspent at beginning of year	-	(45 009)
Current-year receipts	2 010 000	1 875 000
Conditions met - transferred to revenue	(1 395 011)	(1 875 000)
Other	-	45 009
	<b>614 989</b>	<b>-</b>
<b>Library grant</b>		
Balance unspent at beginning of year	1 360 000	(10 204)
Current-year receipts	1 660 000	1 330 000
Conditions met - transferred to revenue	(1 558 203)	-
Other	-	40 204
	<b>1 461 797</b>	<b>1 360 000</b>

Conditions still to be met - remain liabilities (see note 16).

To provide the municipality with finance for operation and administration of Atamelang and Gaanalagte Community Library.

**MSIG**

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>23. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	709 631	451 753
Current-year receipts	-	930 000
Conditions met - transferred to equitable share	(709 631)	(672 122)
	<b>-</b>	<b>709 631</b>

Conditions still to be met - remain liabilities (see note 16).

To assist the municipality in building in house capacity to perform their functions and stabilise institutional governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy.

### LG Seta

Balance unspent at beginning of year	61 585	-
Current-year receipts	-	118 800
Conditions met - transferred to equitable share	(61 585)	(57 215)
	<b>-</b>	<b>61 585</b>

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

### EPWP

Current-year receipts	1 330 000	1 067 000
Conditions met - transferred to revenue	(1 330 000)	(1 067 000)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16).

To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.

### INEP

Current-year receipts	1 500 000	-
Conditions met - transferred to revenue	(1 500 000)	-
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16).

To implement the Intergrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. Provide explanations of conditions still to be met and other relevant information.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>24. Employee related costs</b>		
Basic	42 075 420	47 438 101
Bonus	3 435 969	3 493 506
Medical aid - company contributions	4 045 039	3 883 104
UIF	385 686	394 279
SDL	631 565	754 066
Defined contribution plans	374 455	354 558
Travel, motor car, accommodation, subsistence and other allowances	1 133 866	1 227 547
Overtime payments	2 560 076	2 527 872
Acting allowances	893 871	1 236 816
Housing benefits and allowances	291 721	360 013
Leave expense	1 231 544	(2 220 805)
Telephone allowance	167 962	152 343
Stand-by allowance	826 942	788 823
Long-term benefits - incentive scheme	8 684 064	8 369 872
	<b>66 738 180</b>	<b>68 760 095</b>

### Remuneration of acting municipal manager

Annual Remuneration	381 060	552 193
Car, travel,accomodation and subsistance allowance	33 915	141 164
Backpay	-	5 415
Contributions to UIF, Medical and Pension Funds	40 455	43 332
Sundries	43 478	164 981
	<b>498 908</b>	<b>907 085</b>

The municipality had two acting appointments during the year for the Municipal Manager position. The previous acting Municipal Manager was acting from 01/07/2016 - 30/11/2016, his remuneration was being paid by the municipality as disclosed above. A second acting Municipal Manager was appointed on 01/12/2016 to 31/07/2017 from Department of Local Government North West Province, after the previous acting municipal manager's appointment was terminated. His remuneration was being paid by Local Government of North West Province. Currently a new Municipal Manager has been appointed, his contract is effective 01/08/2017 which is subsequent to year end.

### Remuneration of acting chief finance officer

Annual Remuneration	128 004	-
Car, travel,accomodation and subsistance allowance	27 042	-
Contributions to UIF, Medical and Pension Funds	21 055	-
Sundries	6 551	-
	<b>182 652</b>	<b>-</b>

The municipality had an acting Chief financial officer was appointed in November 2015. The previous acting Chief financial officer's remuneration was paid by the Department of Local Government in the North West Province therefore her remuneration was not disclosed in the prior year and current year. Currently a new Chief financial officer has been appointed, her acting position contract is effective 01/08/2017 and her remuneration is disclosed as above.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>24. Employee related costs (continued)</b>		
<b>Remuneration of technical services director</b>		
Annual Remuneration	436 176	331 491
Car, travel,accomodation and subsistance allowance	295 067	25 898
Contributions to UIF, Medical and Pension Funds	-	3 569
Sundries	4 500	-
	<b>735 743</b>	<b>360 958</b>
<b>Remuneration of acting corporate services director</b>		
Annual Remuneration	665 995	415 340
Car, travel,accomodation and subsistance allowance	109 014	114 006
Sundries	4 407	3 958
Contributions to UIF, Medical and Pension Funds	97 905	43 332
Backpay	-	5 415
	<b>877 322</b>	<b>582 051</b>
<b>Remuneration of acting community services director</b>		
Annual Remuneration	103 994	-
Car, travel,accomodation and subsistance allowance	14 661	-
Sundries	16 268	-
Contributions to UIF, Medical and Pension Funds	16 453	-
	<b>151 376</b>	<b>-</b>
<b>25. Remuneration of councillors</b>		
Executive Mayor	705 953	677 826
Speaker	567 659	552 107
Chief Whip	274 234	508 368
Mayoral committee members	2 010 506	1 842 011
Councillors	5 706 890	4 994 026
	<b>9 265 242</b>	<b>8 574 338</b>
<b>In-kind benefits</b>		
The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.		
The salaries, allowances and benefits of the councillors as disclosed in note 25 of these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the constitution,read with the remuneration of public officer bearers Act and the minister of provincial and local government's determination in accordance with this Act.		
The Mayor has bodyguards and an official driver at the cost of council.		
Councillors arrear consumer accounts are disclosed in the related party note,refer to note 39.		
<b>26. Depreciation and amortisation</b>		
Property, plant and equipment	32 138 671	35 065 678
<b>27. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	8 394 229	291 427

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>28. Finance costs</b>		
Interest on fair value of employment benefits awards and & environmental	4 167 766	3 378 414
Interest on late payments	12 162 442	4 941 904
	<b>16 330 208</b>	<b>8 320 318</b>
<b>29. Debt impairment</b>		
Debt impairment	7 652 112	2 746 432
Contributions to debt impairment provision	29 999 322	16 752 354
	<b>37 651 434</b>	<b>19 498 786</b>
<b>30. Bulk purchases</b>		
Electricity	31 883 089	23 185 916
Water	658 431	1 672 090
	<b>32 541 520</b>	<b>24 858 006</b>
<b>31. Contracted services</b>		
Contracted Services	4 774 941	1 964 420



# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>32. General expenses</b>		
Advertising	173 003	155 551
Auditors remuneration	2 607 591	1 186 238
Bank charges	406 432	(148 687)
Cleaning	205 138	-
Commission paid	1 064 097	1 038 504
Computer expenses	-	696 816
Consulting and professional fees	3 148 208	4 139 077
Consumables	284 282	114 717
Delivery expenses	274 530	319 480
Discount allowed	1 848 434	326 773
Entertainment	-	12 566
Fines and penalties	36 895	33 000
Gifts	36 522	-
Insurance	1 152 656	375 106
Community development and training	2 247 759	921 269
Conferences and seminars	-	4 500
IT expenses	2 533 000	2 259 347
Magazines, books and periodicals	(17 957)	300
Motor vehicle expenses	86 500	115 300
Packaging	9 295	125 392
Fuel and oil	531 201	797 450
Postage and courier	-	2 260
Printing and stationery	712 043	1 160 910
Promotions	145 897	1 925 303
Protective clothing	127 720	18 379
Subscriptions and membership fees	1 487 324	1 503 900
Telephone and fax	2 368 682	2 106 576
Training	319 227	107 665
Travel - local	1 553 915	1 939 411
Refuse	104 016	14 521
Assets expensed	3 600	-
Electricity	269 860	5 310
Sewerage and waste disposal	2 074	1 737
Water	1 525	1 118
Unallocated vat input	6 317	1 391
Industrial council levy	22 779	21 453
MIG Grant	3 814 763	3 380 267
Commission paid	2 190 716	3 695 053
Electricity purchase: small amounts	3 236 669	2 836 427
Financial management grant	5 689 902	1 555 918
Venue expenses	3 473	9 800
Mayoral projects	164 298	688 100
Other expenses	1 731 500	1 252 954
	<b>40 583 886</b>	<b>34 701 152</b>
<b>33. Fair value adjustments</b>		
Biological assets	-	(950 758)
<b>34. Auditors' remuneration</b>		
Fees	2 607 591	1 186 238
<b>35. Operating deficit</b>		

Operating deficit for the year is stated after accounting for the following:

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>35. Operating deficit (continued)</b>		
<b>Operating lease charges</b>		
Equipment		
• Contractual amounts	675 661	271 604
Loss on sale of property, plant and equipment	(4 358 642)	(60 940)
Loss on sale of game	-	(106 500)
Impairment on property, plant and equipment	8 394 229	291 427
Loss on biological assets and agricultural produce	(581 134)	-
Depreciation on property, plant and equipment	32 138 671	35 065 678
Employee costs	76 003 426	77 334 433
<b>36. Cash generated from operations</b>		
Deficit	(49 218 863)	(19 105 986)
<b>Adjustments for:</b>		
Depreciation and amortisation	32 138 671	35 065 678
Actuarial loss	(6 963 000)	2 119 000
Loss on disposal	4 358 642	167 440
Gain on biological assets	(581 134)	-
Fair value adjustments	-	982 468
Impairment loss	8 394 229	291 427
Debt impairment	-	19 498 786
Movements in provisions	(116 337)	9 507 717
<b>Changes in working capital:</b>		
Inventories	1 661 987	(10 098 078)
Receivables from exchange transactions	(5 395 407)	1 943 952
Receivables non exchange	(3 463 146)	(9 242 026)
Other receivables from exchange transactions	(95 912)	-
Payables from exchange transactions	29 396 928	(1 154 013)
VAT	5 136 150	10 537 643
Unspent conditional grants and receipts	8 146 263	(1 573 539)
Consumer deposits	49 174	78 344
	<b>23 448 245</b>	<b>39 018 813</b>
<b>37. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	28 609 645	50 340 220
<b>Total capital commitments</b>		
Already contracted for but not provided for	28 609 645	50 340 220

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, existing cash resources and grant income..

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 38. Contingencies

#### Court Proceedings:

Municipality is being sued for some of the following pending claims. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities is uncertain.

The following cases listed below are pending and there is no reasonable estimate for future outflow amounts;

Braeytenbach for Eviction  
G.B DisipiMVA for Damages  
S.T Mahanoe for labour  
J.M Venter for contempt  
M Buys and others for labour

The amounts disclosed below are possible outflows amounts based on the lawyers:

#### Litigation and claims

Bri-corp(PTY)ITD for contractual claim the contractor failed to pay the supplier and the supplier sued the municipality	500 000	-
Thabang New business technology contractual claim the contractor appointed for a road project failed to perform and sued the municipality	2 500 000	-
Prestige Panel Beaters for damages a municipality owned vehicle was taken to the panel beater for repairs but storage fees were not paid, they being sued for it.	250 000	-
G.M Mothusi for damages municipality workers were cutting trees, which fell on Mr Mothusi's wall.	60 000	-
Ansie Styn Trust for servitude claim information was requested on rates, which the municipality delayed to submit	500 000	-
K.S Mere for arbitration an urgent application from Scholtz Attorneys was received and a drafting of the affidavit.	200 000	-
KS Mere opened a case against the municipality , a notice of set-down was received from CCMA	200 000	-
K.S Mere a court case of unfair dismissal was continuing against KS Mere	200 000	-
New boss construction was awarded a tender for construction Of Deelpan Community Hall and the total project amount was R 5 461 909.52, out of that amount only R 4 504 214	957 696	-
Babala and others the municipality is reviewing the award	250 000	-
Pholoholo the municipality id being sued for the loss of life	150 000	-
F Nacela the municipality is suing the respondent for the unlawful occupation of land	350 000	-
B Smith the municipality is reviewing the award	250 000	-
Molene the municipality is reviewing the award	250 000	-
	<b>6 617 696</b>	<b>-</b>

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 39. Related parties

#### Relationships

Accounting officer

Mr M Morwe (Acting Municipal Manager)  
Mr D Moate (Acting Municipal Manager)  
Mr M Moruti Municipal Manager appointed 1st of August 2017

#### Members of key management

Mr M Moruti (Municipal Manager)  
Mr D Moate (Acting Municipal Manager)  
Mr K Dikgwatlé (Technical Director)  
Mr S Mokgetho (Acting Community Service Director)  
Mrs O Monaheng (Acting Corporate Services Director)  
Ms Masego (Acting CFO)  
Ms Pelele (Acting CFO)  
Mr M Morwe (Acting Community Service Director previous Acting Municipal Manager)  
Hon Cllr L Malwane (Mayor)  
Hon Cllr UP Lobelo (Speaker)  
Hon Cllr AN Noko (Chief Whip)

The above key management's salaries are disclosed in note 23 and 24.

### Related party balances

#### Receivables - Owing by councillors

AT Mabovu	41 777	30 583
AL Noko	4 447	-
AM Motjale	7 825	4 949
MS Letlakane	29 417	27 247
NJ Molehabangwe	24 696	21 814
TE Chabanku	4 167	5 767
TS Tsholo	-	20 911
ME Booie	43 265	40 383
TD Mthimkulu	33 012	30 842
T Morei	26 971	24 089
KC Seduko	40 566	-
GB Madebe	32 804	-
JH Botha	1 346	90

### Related party transactions

#### Grant and subsidies received from State Organs

National Treasury : Equitable share	85 712 000	82 956 000
North West Department of Public Works : EPWP	1 330 000	1 067 000
Department of Culture, Arts and Traditional Affairs : Library grant	1 660 000	1 330 000
COGTA : Municipal Infrastructure Grant	27 939 000	23 210 000
COGTA : MSIG	750 000	930 000
SETA : LG SETA	-	118 800
National Treasury : Financial Management Grant	2 010 000	1 875 000
Ngaka Modiri Molema District Municipality: Operational Grant	-	57 215

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 40. Risk management

#### Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply.

Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the . Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity's operating units. The provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

As at 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	146 194 790	0	0	0
Vat payable	15 085 096	0	0	0
As at 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	114 368 539	0	0	0
Vat payable	9 948 946	0	0	0

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 40. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Receivables from exchange transactions	31 557 300	26 161 893
Bank balances and cash	301 294	1 334 805

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk. There has been no change to the Municipality's exposure to market risk on the manner in which manages.

Financial instrument	2017	2016
Investments - Listed shares designated at fair value	567 191	579 457

#### Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

#### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	- %	300 839	-	-	-	-

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 40. Risk management (continued)

#### Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available for sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit..

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

### 41. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had a deficit of R 49 218 862 and that the municipality's total current liabilities exceed its current assets by R 119 690 582.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 42. Events after the reporting date

The accounting officer is aware of matters or circumstances arising since the end of the financial year.;

The acting municipal manager's contract came to an end on the 1st of August 2017 and a new municipal manager was appointed.

The municipality received donations of infrastructure assets and movable assets consisting of community facilities subsequent to year end . The donated assets could not be measured reliably and no supporting documentation could be obtained to determine ownership of these assets. Consequently these donated assets do not meet the definition of an asset as rights and obligations have not been transferred and the value of the assets cant not be measured reliably.

The estimated values of these assets is outlined below ;

Land and Buildings estimated cost R 55,385,527,  
Infrastructure assets R 2,863,913  
Water supply pipes of R 1,280 .  
The cost of movable assets could not be ascertained.

The above effect was not adjusted in the 2016/2017 financial statements due to the nature and substance of the transactions.

### 43. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	13 211 301	7 893 564
Add: Fruitless and wasteful expenditure-current year	13 156 445	5 317 737
	<b>26 367 746</b>	<b>13 211 301</b>

There was no fruitless and wasteful expenditure written off or recovered during the financial year. Expenditure incurred resulted from interest and penalties paid on late payments of suppliers.

Investigation of the above has not yet been undertaken. No criminal or disciplinary steps have been taken as a consequence of the above expenditure.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>44. Irregular expenditure</b>		
Opening balance	134 967 545	121 755 495
Add: Irregular Expenditure - current year	31 098 699	13 212 050
	<b>166 066 244</b>	<b>134 967 545</b>

### Details of irregular expenditure

Current year	166 066 244	134 967 545
--------------	-------------	-------------

Irregular expenditure is as a result of non compliance with supply chain management regulations and legislation. There was no irregular expenditure condoned, written off or recovered during the financial year. Investigation of the above has not yet been undertaken. No criminal or disciplinary steps have been taken as a consequence of the above expenditure.

### 45. Material losses

The municipality incurred losses in distribution of electricity amounting to 2017: R12 601 085 (2016: R11 114 378). The distribution losses incurred for the distribution of water could not be ascertained as the municipality do not buy water as they use natural water from boreholes. Therefore it is impracticable to measure natural water source from the reservoirs.

### 46. Budget differences

#### Material differences between budget and actual amounts

The differences between budget and actual amounts have been detailed below and explanations were provided for material balance movements the differences are detailed in the Statement of Comparison of Budget and Actual Amounts.

Explanations ;

N1 - Budget amount is less than actual amount this is due to the revenue enhancement programme the municipality embarked on , the municipality was able to recover more income than the budgeted amount.

N2 - Budget amount was less than actual amount as the municipality under budget due to the licence department office closure.

N3 - Budgeted amount was more than the actual amount due to overbudgeting.

N4 - Budgeted amounts were less than the actual amount for property rates , this was due to the revenue enhancement programme the municipality embarked on , the municipality was able to recover more income than the budgeted amount.

N5 - Grant income was less than budget this was as a result of the unspent grant being withdrawn from equitable share, the calculation for unspent was based on the pre audited annual financial statements.

N6 - Personnel expenditure was overbudgeted as compared to actual this was based on the expectation that there will be no resignations and during the year there were a lot of resignations.

N7- Depreciation was under budgeted as compared to actual as this an accounting entry therefore it varies.

N8 - Bad Debts was not budgeted for as it was an accounting entry.

N9 - General expenses were under budgeted due to unauthorised expenditure.

### 47. Gains or losses on biological assets

Gains or losses arising from a change in fair value	581 134	-
-----------------------------------------------------	---------	---



# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>48. Unauthorised expenditure</b>		
Opening balance	106 563 155	66 793 073
Unauthorised expenditure	85 995 788	39 770 082
	<b>192 558 943</b>	<b>106 563 155</b>

Unauthorised Expenditure (per Vote)	Original Budget	Adjusted Budget	Full Year Focus	Actual Spent per General Ledger	Amount (Overspent)/ Underspent	Percentage
Vote 1- Executive and Council	21 426 172	21 212 013	21 212 013	31 747 205	(10 802 481)	13 %
Vote 2 - Budget and Treasury Office	34 824 915	34 824 915	34 824 915	52 121 272	(17 735 020)	21 %
Vote 3 - Corporate Services	16 813 172	16 803 172	16 803 172	25 148 422	(8 557 224)	10 %
Vote 4 - Community and Social Services	25 824 007	26 371 507	26 371 507	39 469 984	(13 430 017)	16 %
Vote 5 - Technical Services	68 152 625	69 651 804	69 651 804	104 245 538	(35 471 046)	40 %
Subtotal	167 040 891	168 863 411	168 863 411	252 732 421	(85 995 788)	100
	<b>167 040 891</b>	<b>168 863 411</b>	<b>168 863 411</b>	<b>252 732 421</b>	<b>(85 995 788)</b>	<b>100 %</b>

No criminal or disciplinary steps have been taken as a consequence of above expenditure. The total balance including the opening balance will be dealt with in accordance with the MFMA requirements.

### 49. Prior period errors

In terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors all prior period errors should be disclosed in accordance to the standards:

During the current period adjustments were processed for the previous financial periods. The overall difference for 2016 financial year below reflects the adjustments.

The correction of the error(s) results in adjustments as follows.

1. Trade receivables from non- exchange transactions were understated by R901 893 as a result of the re-calculation of the impairment adjustment.
2. Trade receivables from exchange transactions were overstated by R 2 374 819 as a result of the revised impairment calculation and adjustment.
3. Unallocated receipts decreased by R 7 711 113 due to the reallocation of deposits to the correct debtors account.
4. Payables from exchange transactions were overstated by an amount of R 5 650 936 as a result of duplicate creditors being raised.
5. Vat payable was understated by R 153 818 this was as a result of impairment calculation being revised.
6. Inventory (Land held for sale) assets were understated by R2 362 472 due to land inventory not being updated with deeds information..
7. Investment Property was understated by R25 203 118 due to properties register not being updated with transfers from the deeds office.
8. Property plant and equipment was understated by R83 967 036 this was due to the physical verification performed resulting in additional assets being identified which were not on the register.
9. Payables from exchange transactions were overstated by an amount of R2 429 324 as a result of interdepartmental accounts not been written off.

Extensive exercises were undertaken to correct items to agree with supporting documentation, this resulted in changes to related parties, risk management, cash flow statement, and irregular expenditure, please refer to details below for various increases and decreases.

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>49. Prior period errors (continued)</b>		
<b>Effect on accumulated surplus</b>		
Increase in accumulated surplus due to error 1	-	(901 893)
Decrease in accumulated surplus due to error 2	-	2 374 819
Increase in accumulated surplus due to error 3	-	(7 711 113)
Increase in accumulated surplus due to error 4	-	(5 650 936)
Decrease in accumulated surplus due to error 5	-	153 818
Increase in accumulated surplus due to error 6	-	(2 362 472)
Increase in accumulated surplus due to error 7	-	(25 203 118)
Increase in accumulated surplus due to error 8	-	(83 967 036)
Decrease in accumulated surplus due to error 9	-	(2 429 324)
<b>Effect of statement of financial position</b>		
Increase in other receivables from non-exchange transactions adjustment 1	-	901 893
Decrease in trade receivables from exchange transactions due to impairment adjustment 2	-	(2 374 819)
Decrease in unallocated receipts error 3	-	7 711 113
Decrease in payables from exchange transaction 4	-	5 650 936
Increase in Vat payable due to error 5	-	(153 818)
Increase in inventory (land held for sale) assets due to error 6	-	2 362 472
Increase in Investment Property error 7	-	25 203 117
Increase in Property, plant and equipment due to error 8	-	83 967 036
Increase in payables from exchange transactions due to error 9	-	2 429 324
<b>Statement of financial performance</b>		
Reclassification of expenses resulting in increase in contracted services expenditure and decrease in general expenditure	-	1 118 921
Increase in depreciation and amortisation charge	-	140 261
Other income and general expenditure understated due to rounding	-	131
<b>Disclosure</b>	<b>Previously disclosed in 2016</b>	<b>Amount of correction</b>
Decrease in irregular expenditure	198 006 067	(63 038 522)
Decrease in risk management	176 565 899	(24 172 259)
Decrease in related parties	111 826 086	(75 396)
Subtotal	486 398 052	(87 286 177)
	<b>486 398 052</b>	<b>(87 286 177)</b>
		<b>399 111 875</b>

# Tswaing Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>49. Prior period errors (continued)</b>		
<b>Cash flow statement</b>		
<b>Cash flow from operating activities</b>		
Increase in property rates	-	16 365 862
Decrease in grants	-	1 441 620
Increase in service charges	-	50 422 670
Increase in licences and permits	-	6 621 984
Increase in other income	-	2 135 471
Increase in rental	-	322 792
Increase in miscellaneous income	-	831 409
Decrease in cash received from customers	-	56 056 112
Increase in employee cost	-	8 167 455
Decrease in cash paid to suppliers	-	109 135 514
Increase in repairs and maintenance	-	3 209 895
Increase in general expenditure	-	34 701 152
Increase in bulk purchases	-	24 858 005
Increase in operating lease	-	271 604
Increase in contracted services	-	1 964 420
Decrease in other cash item	-	18 246 374
	-	<b>334 752 339</b>
<b>Cash flow from investing activities</b>		
Increase in purchase of property, plant and equipment	-	79 062 737
Increase in sale of property, plant and equipment	-	85 833 017
Increase in actuarial loss of retirement benefits	-	2 119 000
Decrease in proceeds from sale of financial assets	-	30 245
Decrease in proceeds from sale of biological assets	-	322 000
Decrease in proceeds from sale of other assets	-	106 500
	-	<b>167 473 499</b>
<b>Cash flow from financing activities</b>		
Decrease in repayment of other financial liabilities	-	31 710
Decrease in unallocated receipts	-	7 711 113
	-	<b>7 742 823</b>
<b>50. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees Auditor General</b>		
Balance as at 30 June 2017	(528 915)	(1 174 393)
<b>PAYE, SDL and UIF</b>		
Balance as at 30 June 2017	(3 798 350)	(16 828 684)
<b>South African Local Government Association</b>		
Balance as at 30 June 2017	(780 846)	(1 254 058)
<b>VAT</b>		
VAT payable	15 085 096	9 948 946

All VAT returns have been submitted by the due date throughout the year.